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National Tea Co.

ANNUAL REPORT

For the Year Ending
December 31, 1928

Chicago, Ill., March 1st, 1929

1000 CROSBY STREET, CHICAGO, ILLINOIS

March 1, 1929

To the Stockholders of THE NATIONAL TEA CO.:

To be able to report satisfactory operating results of your Company year after year is a pleasure I have enjoyed every year since the public was first given the opportunity to purchase its stock. It is with much gratification that I present to you, herewith, the operating results for the year 1928, showing a net profit after deducting federal taxes of $2,822,-440.14, against $2,046,041.00 for the year 1927.

The sales for the year 1928 totaled $85,881,696.01, as compared with $58,801,376.64 for the year 1927, an increase of 46.05 per cent.

The number of stores in operation as of December 31, 1928, were 1,600, as compared with 1,237 on the same day of 1927.

During the year 1928 much effort has been devoted to increasing the popularity of your Company's stores in new territory opened up by the great number of stores added in the latter part of 1927. The effect of this work will be of material aid toward successful operation during the year 1929.

Yours very truly,

GEO. RASMUSSEN,

President.

BALANCE SHEET AT DECEMBER 31st, 1928

ASSETS

CURRENT ASSETS:		
Cash on Hand and in Banks		$1,128,976.32
Notes Receivable		6,340.48
Accounts Receivable	$ 492,651.48	
Less: Reserve for Bad Debts	24,972.65	
		467,678.83
Inventories of Merchandise and Supplies on hand and in transit, at cost or market, whichever is lower		9,990,657.79
Mortgages Receivable—Due 1929		22,770.00
Total Current Assets		$11,616,423.42
MORTGAGES RECEIVABLE:		
Due Subsequent to 1929		12,920.00
INVESTMENTS:		
Nateco Realty Trust (represented by 500 certificates of Beneficial Interest)	$ 704,932.80	
Treasury Stock at Cost	85,992.00	
		790,924.80
PROPERTIES: (At Cost, Less Depreciation)		
Land and Buildings	$ 4,562,474.35	
Machinery, Fixtures and Equipment	3,478,890.34	
Delivery Equipment	476,274.64	
		8,517,639.33
GOODWILL		2,222,610.23
DEFERRED CHARGES:		
Advanced Premiums to Customers, less Reserve	$ 59,129.80	
Prepaid Taxes, Insurance, etc.	114,677.29	
Reorganization Expense, Development Expense, etc., Less Proportion Written Off	371,033.76	
		544,840.85
		$23,705,358.63

LIABILITIES

CURRENT LIABILITIES:		
Notes Payable		$ 2,176,000.00
Accounts Payable—		
Trade	$ 2,060,122.13	
Payroll and Commissions	184,235.29	
Interest and Taxes	262,631.66	
Employes' Deposits	8,382.96	
Dividends Accrued	192,868.00	
Provision for Federal Income Tax—Estimated	375,130.89	
		3,083,370.93
Purchase Money Obligations—Due 1929		67,000.00
Commercial Letters of Credit (Secured by Trust Receipts and Coffee in Transit)		914,885.25
Total Current Liabilities		$ 6,241,256.18
PURCHASE MONEY OBLIGATIONS:		
Due Subsequent to 1929		1,214,000.00
NOTES PAYABLE TO STOCKHOLDERS:		
Due 1930		300,000.00
CONTINGENT RESERVE		65,878.31
PREFERRED STOCK 6½% CUMULATIVE:		
Authorized—50,000 Shares of $100 Each	$5,000,000.00	
Shares Issued 42,500	$ 4,250,000.00	
Less: Shares Retired 2,448	244,800.00	
Outstanding 40,052		$ 4,005,200.00
COMMON STOCK:		
Authorized and Issued — 150,000 Shares of No Par Value		1,537,139.20
SURPLUS:		
Appropriated for Redemption of Preferred Stock	$ 353,262.00	
Unappropriated as per Statement Attached	9,988,622.94	
		10,341,884.94
		$23,705,358.63

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INCOME AND SURPLUS ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1928

Sales			$85,881,696.01
Net Operating Profit			$ 3,163,771.20
Add: Revenue from Nateco Realty Trust			36,062.27
Net Profit Before Deducting Federal Income Tax			$ 3,199,833.47
Estimated Federal Income Tax			377,393.33
Net Profit After Deducting Federal Income Tax			$ 2,822,440.14
Less: Dividends—			
Common		$598,900.00	
Preferred		260,272.63	
			859,172.63
Net Addition to Surplus for Year Ending December 31, 1928			$ 1,963,267.51
Surplus, January 1st, 1928:			
Earned	$6,163,335.07		
Capital	2,000,000.00		
		$8,163,335.07	
Add: Accumulated Profit on Investment in National Tea Co. of Delaware made available through the acquisition of the remaining outstanding Capital Stock of that Company		215,282.36	
			$ 8,378,617.43
			$10,341,884.94
Deduct: Sinking Fund Provision for Retirement of Preferred Stock			353,262.00
Unappropriated Surplus as per Balance Sheet			$ 9,988,622.94

We have examined the books and records of the National Tea Co. and its subsidiaries for the year ending December 31st, 1928, and we certify that, in our opinion, the above Consolidated Balance Sheet and relative Income and Surplus Account correctly set forth the financial condition of the Company as at December 31st, 1928, and the results from operations for the year to that date and that they are in accordance with the books. The inventories of merchandise have been taken and valued by the Company's officials at cost or market price, whichever was lower. Sinking Fund requirements for the retirement of Preferred Stock have been complied with.

ARTHUR YOUNG & COMPANY,
Certified Public Accountants.

Chicago, Illinois—February 23rd, 1929.